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C O N F I D E N T I A L KUWAIT 005464

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SUBJECT: KUWAIT: SENIOR ADVISOR ON STATUS OF PROJECT KUWAIT

REF: A. (A) KUWAIT 5415

[1](#)B. (B) KUWAIT 5109

Classified By: Ambassador Richard H. Jones for reasons 1.5 (B) and (D)

1.(C) On 21 December, EconChief met with Khalid Yousef Fulaij (strictly protect), who serves as an Advisor on Petroleum Affairs in the Office of the Chairman of Kuwait's Supreme Petroleum Council (SPC). The current chairman of the SPC is Foreign Minister and de facto Prime Minister Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah. EconChief asked about the status of Project Kuwait for the development of the country's northern oil fields (reftel B).

2.(C) Fulaij explained that since the Spring of 2002, SPC action on the project had been delayed for many reasons, citing specifically the parliamentary 'grilling' of the Minister of Finance, summer holidays, and the selection of a few new members for the SPC in July. However, he said, since September the SPC's technical subcommittee on the project has been meeting weekly to review the project and its terms. Fulaij reported that review of the financial terms for the project was now complete, and that the draft contractual arrangements were now the focus. He predicted that this review should be completed sometime in the month of January.

3.(C) Fulaij said that once the SPC technical subcommittee had finalized its work, the approval of the full SPC was a simple procedure (noting that the technical committee comprised seven of the fourteen members of the full SPC). Once the full SPC had approved the drafts, the drafts would be shared with the international oil companies (IOCs) that were pursuing the project. This effort would not, however, be intended to solicit formal proposals or bids from the companies, but rather as a step to ensure companies remained interested in and committed to the project. Fulaij explained that firms would be asked to comment on the terms and conditions, but he did not specify what would be done with the responses (presumably they would be used to refine the terms and conditions of the deal).

4.(C) Fulaij commented that he did not believe the Government would work with the current National Assembly to secure passage of the implementing legislation for Project Kuwait, saying that the current legislative calendar is already too full. Indeed, he said that Sheikh Sabah was asking whether implementing legislation was even needed, since IOCs would never take title to the oil. He compared the IOC role to that of oilfield service companies, whose contracts are not ratified by the National Assembly.

5.(C) When EconChief stressed the importance of prompt action, Fulaij said he understood the impatience of IOCs. He noted that Sheikh Sabah was also impatient, and regularly asked about the status of the project.

6.(C) Comment: Post is not sure how to square Fualij's comment that action with this National Assembly is not forthcoming and the acting Oil Minister's assertion (reftel A) that Project Kuwait would be approved before his term as Minister ended. The suggestion that parliamentary approval will not be sought is one possible explanation, but with relations already so poor between the Government and the National Assembly, we believe this move would only poison the relationship further. Boiling it all down, we believe the government remains fully committed to the project, but is so flustered with other pressing matters and with the obstinacy of the National Assembly that it can't find a way to make the project a priority. End Comment.

JONES